



ANNUAL TABLED BUDGET

2020/21 MTREF

28 May 2020

Table of Contents

PART 1: ANNUAL BUDGET	5
Section 1: Mayor's budget speech.....	5
Section 2: Resolutions	5
Section 3: Executive summary.....	6
3.1 Introduction	6
3.2 2020/21 National budget.....	11
3.3 2020/21 Western Cape Provincial budget.....	14
3.4 2020/21 Knysna Municipal budget	15
3.5 Municipal Regulations on a Standard Chart of Accounts (mSCOA).....	16
3.6 2020/21 Electricity tariffs restructuring	16
3.7 Phase-out of conventional electricity meter installation.....	16
3.8 Electricity tariffs – NERSA approval	17
3.9 Operating budget	17
3.10 Budgeted operating Surplus/deficit	20
3.11 Capital budget - Infrastructure projects	20
3.12 Repairs and maintenance expenditure	21
3.13 Rates and tariffs.....	21
3.14 Explanation on tariff increases less than CPIX plus 1.....	22
3.15 Financial support provided to indigent households	23
3.16 Financial support provided to pensioners	23
3.17 Conclusion	24

Section 4: Other important information	24
4.1 Vision, mission, strategic objectives and game changer obsessions	24
4.2 Cost containment measures	26
4.3 Auditor General – audit outcomes.....	26
4.4 Long term financial plan.....	27
Section 5: Annual budget tables	27
A. PART 2: SUPPORTING DOCUMENTATION.....	34
Section 6: Overview of annual budget process.....	34
Section 7: Overview of the alignment of the annual budget with the IDP.....	35
Section 8: Measurable performance objectives and indicators	35
Section 9: Overview of budget related policies	35
10. Section 10: Overview of budget assumptions	36
10.1 General assumptions	36
10.2 Revenue and tariff increase assumptions	36
Section 11: Overview of budget funding	37
11.1 Capital Replacement Reserve (CRR)	39
11.2 External loans	39
Section 12: Expenditure on allocations and grant programmes.....	40
13. Section 13: Transfers and grants made by the municipality	40
14. Section 14: Councillor allowances and employee benefits	40
Section 15: Monthly targets for revenue expenditure and cash flows	41
16. Section 16: Annual budgets and SDBIP	41

17. Section 17: Contracts having future budgetary implications	41
18. Section 18: Capital expenditure details.....	42
19. Section 19: Legislation compliance status	43
20. Section 20: Other supporting documents.....	44
20.1 Service Level Standards	44
21. Section 21: - Quality Certificate.....	45

Tables

Table 1: Table 1: High level summary of the 2020/21 MTREF	16
Table 2: Profile of conventional vs pre-paid electricity meters	17
Table 3: Operating budget	18
Table 4: Infrastructure projects as % of total capital budget	20
Table 5: Repairs and maintenance expenditure	21
Table 6: Rates and tariffs for 2020/21.....	21
Table 7: Auditor-General audit outcomes	26
Table 8: Funding sources of the capital budget.....	38
Table 9: History of the capital budget versus actual expenditure.....	39
Table 10: Summary external loans	40
Table 11: Provincial housing grants.....	40
Table 12: Employee cost percentages.....	41
Table 13: Capital budget per vote.....	42

Figures

Figure 1: Western Cape Provincial investment in Knysna Municipality.....	15
Figure 2: Operating Revenue budget.....	19
Figure 3: Operating Expenditure budget.....	19
Figure 4: Funding sources of the capital budget.....	38
Figure 5: Capital budget per vote.....	43

PART 1: ANNUAL BUDGET

Section 1: Mayor's budget speech

The Mayor's budget speech for the 2020/21 Medium Term Budget and Expenditure Framework (MTREF) is circulated separately and will be presented by the Deputy Executive Mayor, Councillor Aubrey Tsengwa.

Section 2: Resolutions

It is recommended –

1. That Council approves the final tabled annual budget of the municipality for the financial year 2020/21 and the two outer years 2021/22 and 2022/23 as per **Annexure A** (Budget schedules A1 to A10 and SA1 to SA 37), and **Annexure B** (capital budget per department and per funding source) ;
2. That Council approves the final tabled property rates and tariffs as contained in **Annexure C** for the 2020/21 budget year;
3. That Council approves the electricity tariffs as included in **Annexure C** as approved by NERSA.
4. That Council takes note of the sensitivity analysis of the proposed rates and tariff increases for consumers as per **Annexure D**;
5. That Council adopt MFMA Budget Circular 98 and 99, Cost containment Regulations, policy (as resolved by council) and NERSA guidelines attached as **Annexure E**;
6. That Council adopt and approves the proposed changes to the budget related policies attached in **Annexure F**;
8. That the tabled service standards attached as **Annexure G** be approved;
9. That Council approves the list of projects funded from external loans, attached as **Annexure H**;
10. That the 2020/21 MTREF Procurement Plan per **Annexure I** be approved;
11. That Council takes note that version 6.4 of the mSCOA classification framework was used to prepare the budget;
12. That Council take note of how public participation process has been seriously impacted by COVID-19 as well as the measures announced through the disaster Regulations.

13. That the project on conversion of the conventional electricity meters for household and business behind with their Municipal accounts, be completed by November 2020 and all new household electricity meter installations be on prepaid.

14. That phase two of the project on conversion of household conventional water meters to prepaid in ward nine and ten be implemented.

Section 3: Executive summary

3.1 Introduction

Knysna Municipality's final draft 2020/21 operating and capital budget focusses on investing in upgrading and renewal of existing infrastructure and creating new infrastructure. This is an important means of promoting sustainable growth and reducing poverty and the budget allocations reflect this purpose. Our focus is on economic infrastructure and includes:

- electricity transmission;
- waste water treatment works and waste water replacement;
- Water storage upgrades and network pipe replacement.
- road building and maintenance; and

The budget policy framework for the next three years reflects a greater alignment with the NDP, as spending programmes begin to address economic constraints and the need for greater local government efficiency. We have therefore revised our spending plans and reprioritised funding to ensure that key objectives are achieved, and that revenue generating and well-performing programmes are funded. Expenditure plans reflect both the medium-term investment plans and long-term goals identified in the NDP. We continue to reduce non-priority spending and reprioritise expenditure to focus on core infrastructure and service delivery issues in the MTREF.

The draft operating budget for the 2020/21 financial year amounts to R 1 036 083, which represents an increase of R 62 638 000, or 6.4%, when compared with the February adjusted budget for 2019/2020 and the cost drivers for the increase in the budget can be summarized as follows:

- an increase of 6.9% in the purchase of electricity from Eskom;

- Regional Landfill site and transporting waste to Mossel Bay;
- adhering to the Department of Waters Affairs' standards for operating water purification and waste water treatment plants;
- inflationary pressure and the general increase in the price of goods and services;
- recent and expected increase in expenditure related to COVID-19 such as specific PPE, Sanitizers, staff screening and other related occupational health and safety costs;
- operational requirements to ensure service delivery standards are complied with, referring specifically to electricity, roads, water, waste water and waste removal.

Revenue sources remain under strain and, in an attempt to balance service delivery with affordability; proposed tariff increases have been limited to a minimum as follows:

- property rates: between 3% depending on value of property;
- water services: 3%;
- sewerage charges: 3%;
- electricity services: 6.22%; and
- refuse removal: 12.0%.

Strategic Plan

Knysna municipality working closely with provincial government is in a process to develop a strategic plan. The plan is intended to outline how Knysna Municipality intends to improve budget outcomes and provides specific targets for improvement in liquidity and its cash position, enabling it to provide uninterrupted basic services to the residents of Greater Knysna. This is a bold and necessary initiative. To sustain itself, the municipality must balance revenue with expenditure. In order to do so, it either needs to increase the amount of revenue it raises or reduce the amount of expenditure it appropriates.

Knysna Municipality was in a dire financial situation before the national lockdown increased the pressure on an already depressed local economy. This has had a compounding negative effect and increased the universal challenges experienced by all spheres of government due to the Covid-19 pandemic. Knysna Municipality is however facing a ruinous situation as its cash flow, which is now less than a trickle, may impact its constitutional mandate to deliver sustainable services to its

residents. Council had to assert itself and make the tough decisions needed to deliver its municipality from total financial meltdown and the very real possibility of being placed under administration.

Current Strategies

The strategy outlines steps already under way to contain costs and curb spending.

In the short-term, Council has resolved to:

- obtain a short-term loan/overdraft facility, which has not been utilised to date;
- freeze all unfilled posts;
- curtail travelling and subsistence costs;
- curtail catering;
- curtail overtime;
- implement strict budget control measures;
- implement strict credit control procedures;
- curtail all capital projects funded internally; and to
- collect outstanding grants.

Governance Issues

Council has resolved to implement its Draft Cost Containment Policy from 1 June 2020. The policy and associated regulations will apply to all officials and political office bearers of Knysna Municipality. Other affected policies will be reviewed to comply with the regulations of the Draft Cost Containment Policy. Our reviewed Credit Control Policy will also be aggressively implemented.

Finance

Council has decided not to approve any increase in salaries, allowances or benefits for councillors for the 2019/20 financial year. With regards to the gazetted Upper Limits for the Remuneration of Senior Managers (Government Gazette no 43122, 20 March 2020), Council has also resolved not to implement any increases in the upper limits for senior managers or managers directly accountable to the office of the Municipal Manager as gazetted. Council is seeking legal advice in terms of recovering monies paid to two of our directors in excess of the gazetted upper limits. Furthermore, no performance bonuses will be paid to the municipal directors for the 2018/19 financial year. This is partially due to the fact that the previous Municipal Manager did not conduct the performance assessments in time and that the relevant performance contracts are being revised for the 2020/21 financial year.

Knysna Municipality cannot afford to implement the 6.25% salary increase for full-time municipal employees as determined by the Salary and Wage Collective Agreement of 15 August 2018. The Accounting Officer will be authorised to apply

for the appropriate exemption from the South African Local Government Bargaining Council to implement this resolution.

Further steps to mitigate the current financial state include the cancelation of the municipality's membership of the South African Local Government Association (SALGA), effectively saving the fee of over R3 million. We must also focus on strict consequence management with regards to the implementation of conditional grants to avoid internal funding being necessitated to complete projects.

To assist local businesses, employers and employees, a committee consisting of the Chief Financial Officer, Chief Audit Executive and the Chairperson of the Audit Committee has been appointed to consider ad hoc applications for delayed rates and services charges from businesses and accommodation establishments, and a reduction in rental of municipal property up to a maximum amount of R50 000. This committee's appointment runs until the end of September. Knysna Municipality is not in the position to consider debt relief for rate payers.

Where housing developments have been erected on municipal land, these must be officially subdivided and transferred to their new owners to allow Knysna Municipality to begin recovering rates on services delivered to those properties. We must ensure that the municipality is collecting rates for all services delivered to any particular property and, to not rely on erroneous estimates, take actual readings. The additional installation of 10 000 water meters will not only increase our water income, but further eliminate our reliance on readings and estimates. Our recently completed data cleansing drive will assist in this regard and affect a positive impact on tariffs. The introduction of data profiling is vital to our debt collection approach. Being able to distinguish between, for example, our indigent residents, deceased estates and businesses will allow the municipality to focus on those customers who are currently able to honour their rates and tariffs commitments. These steps alone will have an immediate influence on optimising the municipality's revenue chain and cash flow management.

A feasibility study must be undertaken to assess the viability of selling key municipal properties and to identify those properties that will offer the greatest return on investment on the property market.

Personnel Challenges

To ensure that municipal resources are applied effectively, efficiently and economically, this Turnaround Strategy has been compiled in conjunction with Provincial Treasury. As Knysna Municipality requires external capacity assistance, we have approach Provincial Treasury to assist us in the implementation of this strategy, specifically with regards to our Revenue and Budget Sections.

In order for Council to gain the optimum value from awarded tenders, both Bid Evaluation and Bid Adjudicating Committees must be retrained to ensure that all

requests for bids and tenders are worded succinctly, effectively and accurately to correctly reflect the needs and expected outcomes of each and every tender.

The economic turnaround of Greater Knysna will not happen overnight and it will only take place under effective, firm leadership.

It will be a long and difficult journey, but this strategy makes it possible for Knysna Municipality to turn around from probable financial collapse towards increased fiscal vitality. It will require Council to make decisions that might not be what their constituents want, but what they – and this municipality – desperately need. The unpopular decisions of today are necessary to negate the negative impact of possible administration tomorrow.

For Knysna Municipality to maintain and also continue to improve the quality of services provided to its citizens, it needs to generate the required revenue. Local communities must understand that the continued generation of cash via prudent budgeting, credible income policies and sound financial management systems are critical to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty and the resources required to address these challenges will, inevitably, exceed available funding. Hence, difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- Consideration of National Treasury's guidelines, the effect of COVID-19 in the tourism and hospitality industry and macro-economic policy;
- The effect of COVID-19 on local business, community, projected revenue growth in the Municipality and continued local economic development;
- Efficient revenue management, which strives to ensure a 78.4% average annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increased ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

A logical approach should be that trading services should be cost-reflective, which implies that sufficient revenue should be raised to cover all the costs associated with the provision of these services. The municipality's aim is to not exceed inflation in its annual tariff adjustments, but the following factors hamper this goal and are often beyond the control of the municipality:

- ESKOM electricity increases
- bulk water purchases and
- the recent COVID-19 pandemic which will impact the greater Knysna substantially
- national collective agreements on salary increases

The Municipality has embarked on a number of strategic thrusts and actions within its resources capacity to maximise or, at best, maintain revenue raising at its current levels. This will ensure that Council can continue to meet its constitutional requirements and to dovetail with the efficiency measures being looked at on the expenditure side of the budget. This will allow Council to maximise its growth plans in line with the new economic strategy currently under review. The slow economic growth, COVID-19 and persistently high unemployment rate will influence the ability of all municipalities to generate and collect revenue for services. Aggressive debt collection will have to be reviewed and targeted to those who were already behind with the municipal accounts at the end of March 2020. Council intends not to charge interest on all customers' accounts effectively from 1 April 2020 until 31 January 2021. Interest charges will be reversed. Some of the measure taken is to reduce employee related cost and other expenditure with emphases on contracted service, travel and substance, overtime and standby.

3.2 2020/21 National budget

The message of the Minister of Finance, Mr. Tito Mboweni in his national budget speech on 26 February 2020 was optimistic, yet realistic to the political and economic challenges facing South Africa. He started his budget speech, with the following opening quote:

"The Aloe Ferox survives and thrives when times are tough. It actually prefers less water. It wins even when it seems the odds are against it". He further closed his speech by reflecting on the words of Comrade Bram Fischer from the dock: "With

confidence we lay our case before the whole world, whether we win or die, freedom will rise in Africa, like the sun from the morning clouds”.

Another quote from the speech of the Finance Minister reflecting the challenging but optimistic times was, “Winning requires hard work, focus, time, patience and resilience. Achieving economic growth and higher employment levels requires a plan”. The Minister did not leave the opportunity to also quote from the book of First Corinthians chapter 9 verse 24.

Moody's downgrade

Despite the positives, the question remain as to whether this budget will be enough to stave off what many analysts have seen as the inevitable Moody's downgrade? FNB Economist Siphamandla Mkhwanazi believes it may push the Moody's downgrade decision out until later in the year. The above was a positive outlook from economist before the Covid-19 pandemic hit the world economies.

Subsequent to that the Rating agencies have been busy of late as the Covid-19 pandemic wreaks unprecedented havoc on the global economy. South Africa got its second lockdown downgrade on 3 April 2020 when Fitch – which three years ago had assigned Pretoria’s debt a “junk rating” – dropped its rating another notch to “BB” from “BB+”.

General budget overview:

Looking at the 2019 Budget in general, one of the key aspects was the announcement that debt will breach the 60% level for the first time in 2023/24. “Looking at the debt ratios and the fact that we are going to breach the expenditure ceiling that we held sacrosanct for many years, it does look slightly negative and may increase the chance of a downgrade. But that is not a given,” says Mkhwanazi.

Rating agencies have been busy of late as the Covid-19 pandemic wreaks unprecedented havoc on the global economy. The downgrade has since been confirmed.

Other key points from the budget include:

- Growth expectations have been pulled back to 1.5% in 2019 (down from 1.7%).
- Treasury now expects the economy to grow by just 0.3% in 2019.
- Tax revenue has been revised down by R15.4-billion compared to the October estimate.

- Excise duties on alcohol and tobacco have been increased.
- Eskom will receive further financial assistance from government, estimated at R60 billion over the next few years. However, other power alternatives are actively being investigated. This includes municipalities being able to source their power from elsewhere.
- Government guarantees for State-owned enterprises will be tightened. SAA is to get an additional R16.4 billion over the next three years to cover the airline's guaranteed debt and debt servicing costs, while Denel was granted a further R1-billion guarantee.
- In contrast, the Land Bank repaid its debt, reducing government's guarantee exposure.
- The public sector wage bill will be reduced, including plans to offer early retirement to civil servants nearing retirement age. The expected savings on the public sector wage bill is R160 million.
- Government expenditure is expected to increase 5.1% per year. This is mostly interest. Non-interest expenditure is expected to decline.
- In an effort to boost the fight against corruption, an additional R2.4 billion is being allocated to the NPA, Special Investigating Unit and Directorate for Priority Crime Investigation. This is aimed at clearing the backlog of cases, such as those emanating from the Zondo commission.

Overall, Minister Mboweni has walked the tightrope in acceptable fashion and delivered a realistic budget in difficult circumstances.

Subsequent to the tabling of the National Budget the following are financial implication of COVID-19 on both the economy and budgets;

Likely worst recession since the Great Depression.

- Most economies expected to fall
- SA growth 6.6% lower by IMF forecasts vs January WEO
- Partial recovery projected for 2021, with above trend growth rates, but the level of GDP will remain below the pre-virus trend.

- High levels of uncertainty in terms of duration and intensity due to the pandemic itself, its macroeconomic fallout, and the associated stresses in financial and commodity markets.
- This crisis will need to be dealt with in three phases: i) containment and stabilization and ii) the recovery phase with swift action from policy makers and iii) a pivot to faster economic growth

The following downside risk are anticipated.

- the direct impact of measures to contain the spread of the virus
- tightening in financial conditions
- discretionary policy measures to support incomes and ease financial conditions
- scarring resulting from the economic dislocation that policy measures are unable to fully offset

Knysna Municipality will have to work much more closely with other stakeholders, spheres of Government to focus on much needed reforms on Tourism in the following areas

- further expansion of visa-free access
- increased destination marketing
- introduction of tourism safety police

3.3 2020/21 Western Cape Provincial budget

The Premier of the Western Cape, in his State of the Province Address, highlighted the successes in the Western Cape. The Premier of the Western Cape highlighted four point plan to address issues in the Province.

1. Help municipalities to procure energy from IPPs. Procurement in the government space is complicated and time consuming, so we will ensure that there is dedicated support to speed up a more robust procurement process.
2. Increase Small Scale Embedded Generation like Solar PV across our province. The Energy Security Game Changer achieved a lot in this space, but more can still be done. Decreased reliance on the national grid is a key component of a more stable energy future.

3. Increase the greening of government buildings across the Western Cape. Where there is a government rooftop that can benefit from solar, it will be installed. We already have solar systems on 17 provincial buildings, including our Agriculture Head Office and the Cape Teaching and Learning Institute. We have another 9 projects on-the-go. Municipalities across the province are being supported and encouraged to make similar investments.
4. We will fast track efforts to import Liquefied Natural Gas through Saldanha Bay, and enable Eskom's Ankerlig plant to operate on LNG rather than the much more expensive diesel. Our work has already de-risked these initiatives, and we call on the national government to move with speed to bring LNG to our industries and power plants in the Province. Gas to power may also make sense in Mossel Bay. Total is already exploring offshore gas there, and while the outcome is several years away, we are starting the work now to make sure that we are able to maximise the major economic advantages which gas provides.

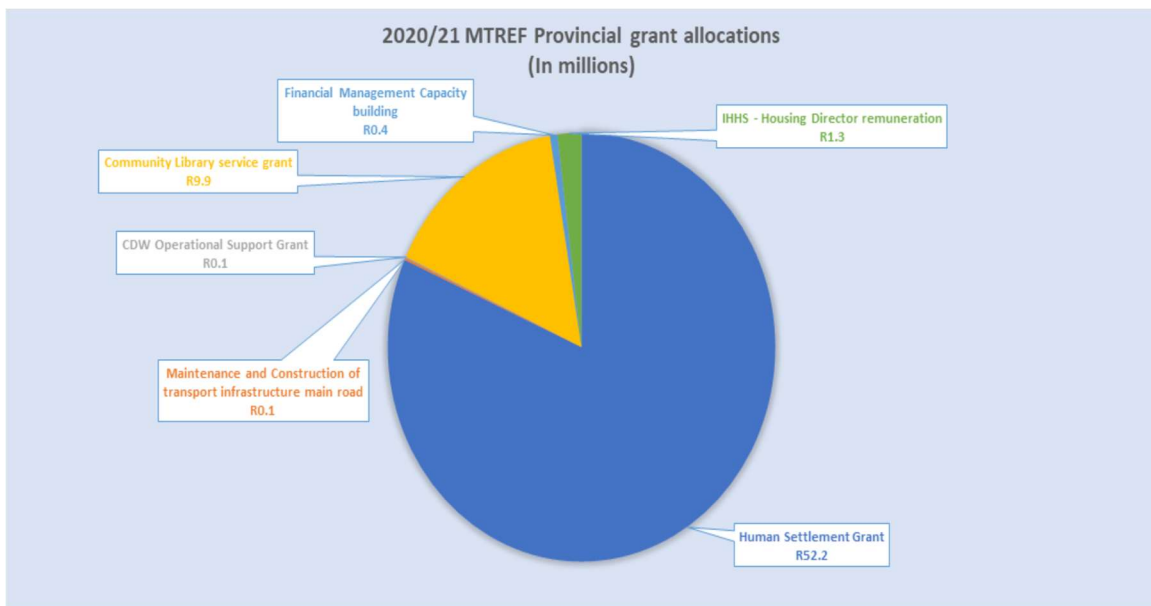


Figure 1: Western Cape Provincial investment in Knysna Municipality

3.4 2020/21 Knysna Municipal budget

The third review of the fourth generation Integrated Development Plan (IDP) is also considered by Council on 28 May 2020 and is included in a separate agenda item. A high-level summary of the 2020/21 MTREF budget is provided in the table below:

Table 1: Table 1: High level summary of the 2020/21 MTREF

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Operating Revenue	652 308	669 355	747 005	800 211	809 268	809 268	809 268	842 893	901 249	958 343
Grant Revenue: Operating	108 170	106 741	145 204	167 300	164 195	164 195	164 195	155 626	129 145	132 366
Grant Revenue: Capital	59 733	64 195	47 341	50 129	62 313	62 313	62 313	50 044	61 565	58 209
Total Revenue	820 211	840 291	939 551	1 017 640	1 035 776	1 035 776	1 035 776	1 048 563	1 091 959	1 148 918
Capital Expenditure	96 404	129 394	149 423	217 575	193 015	193 015	193 015	157 938	145 164	141 083
Operating Expenditure	760 923	773 946	892 164	964 910	973 445	973 445	973 445	1 036 076	1 014 765	1 058 947
Total Expenditure	857 327	903 341	1 041 588	1 182 485	1 166 460	1 166 460	1 166 460	1 194 014	1 159 930	1 200 030

3.5 Municipal Regulations on a Standard Chart of Accounts (mSCOA)

The municipality has prepared its budget and A schedules on version 6.4 of the mSCOA classification framework.

3.6 2020/21 Electricity tariffs restructuring

Knysna Municipality had to investigate and complete an Electricity Cost of Supply and Tariff Study as is required by NERSA. A service provider was appointed to assist with this process. The study was completed and presented to Councilors in 2019. The study contained three main components as required by NERSA. Ring-fencing electricity, cost of supply study and tariff study.

3.7 Phase-out of conventional electricity meter installation

Knysna municipality currently has 23 950 electricity consumers. 77% of these consumers have pre-paid meters. The municipality has long resolved to convert conventional meters to prepaid, and only allow pre-paid meters in future. This is relevant to new installations only. Current conventional electricity consumers who refuses the conversion will be required to convert at their own cost effectively from 1 December 2020. Electricity will be blocked when these consumers' falls behind with municipal account.

The current profile of conventional versus pre-paid is provided in the table below.

Table 2: Profile of conventional vs pre-paid electricity meters

	Commercial	Households	Other	Total	%
Conventional	981	3 975	608	5 564	23%
Prepaid	770	17 616		18 386	77%
	1 751	21 591	608	23 950	

3.8 Electricity tariffs – NERSA approval

At the date of this report, NERSA has published its Municipal Tariff Guideline increase document for comments, which is used to determine the municipal tariff increases to consumers. The municipality has increase this service charge by 6.22% slightly below bulk purchases at 6.9% and above National Treasury guideline in terms of circular 99. Municipality has no control over electricity tariffs increases as they are regulated by NERSA.

3.9 Operating budget

A summary of the operating budget is provided in the table below.

Table 3: Operating budget

Description R thousands	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Financial Performance										
Property rates	187,780	203,443	215,549	228,833	229,279	229,279	229,279	236,158	251,508	267,856
Service charges	321,629	333,167	364,764	438,612	411,841	411,841	411,841	435,781	465,263	496,847
Investment revenue	11,105	10,302	9,443	9,000	9,000	9,000	9,000	4,722	9,443	9,443
Transfers recognised - operational	108,170	106,741	145,204	167,300	164,195	164,195	164,195	161,320	133,709	139,112
Other own revenue	131,794	122,443	157,249	123,766	159,148	159,148	159,148	166,233	175,035	184,197
Total Revenue (excluding capital transfers and contributions)	760,478	776,096	892,210	967,511	973,463	973,463	973,463	1,004,214	1,034,958	1,097,455
Employee costs	209,558	216,306	236,178	290,474	289,071	289,071	289,071	283,809	297,883	313,856
Remuneration of councillors	7,674	8,469	8,570	9,982	10,061	10,061	10,061	10,023	10,497	11,004
Depreciation & asset impairment	31,506	29,033	33,373	33,424	33,424	33,424	33,424	30,591	30,253	29,915
Finance charges	13,530	25,557	26,092	31,268	31,279	31,279	31,279	34,041	38,643	40,770
Materials and bulk purchases	180,640	205,895	212,902	222,509	226,843	226,843	226,843	253,038	254,453	270,459
Transfers and grants	37,684	4,582	3,610	4,317	5,810	5,810	5,810	8,409	3,939	4,859
Other expenditure	280,330	284,104	371,440	372,936	376,956	376,956	376,956	416,166	379,097	388,083
Total Expenditure	760,923	773,946	892,164	964,910	973,445	973,445	973,445	1,036,076	1,014,765	1,058,947

The main contributors to the operating revenue and operating expenditure for the 2020/21 financial year are as indicated in the two graphs below.

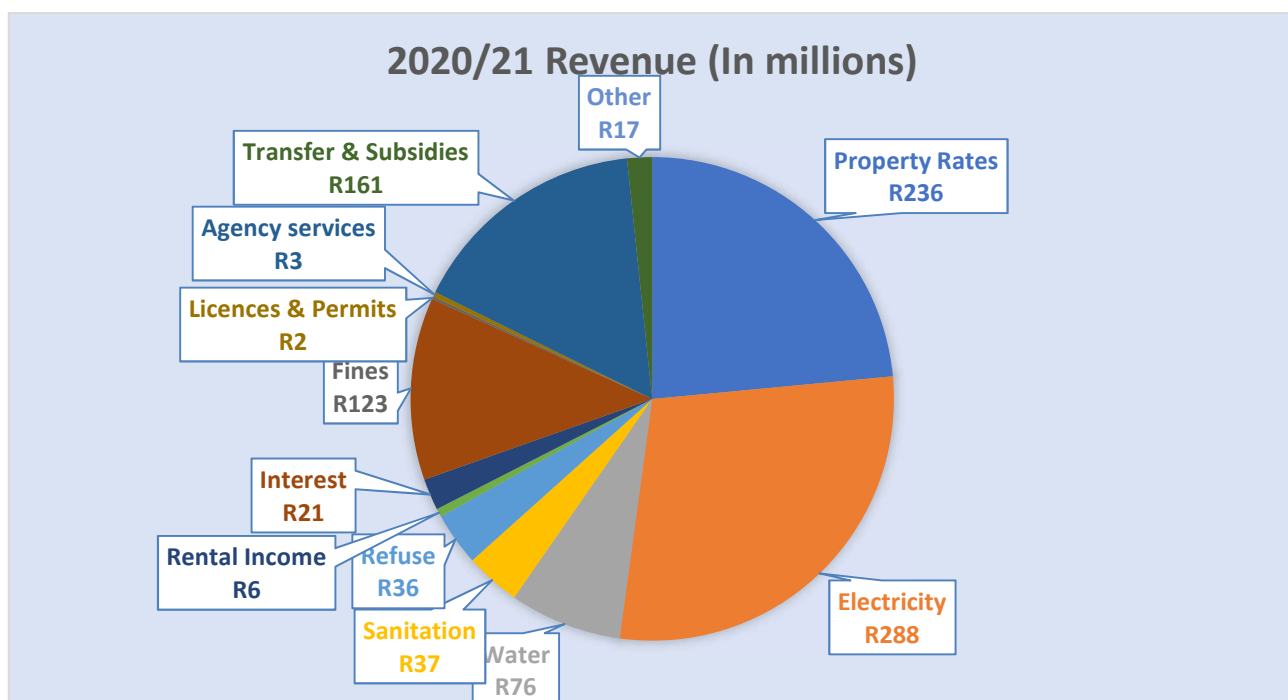


Figure 2: Operating Revenue budget

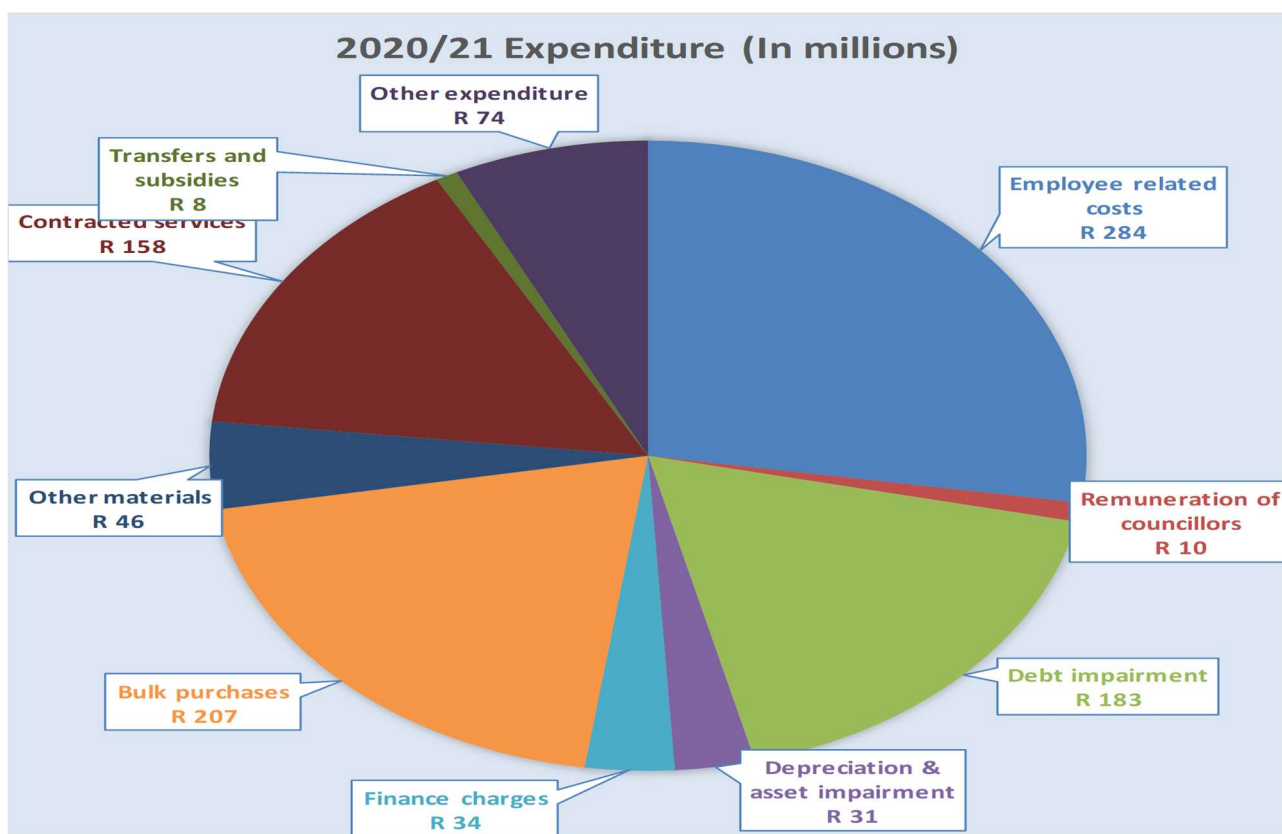


Figure 3: Operating Expenditure budget

3.10 Budgeted operating Surplus/deficit

The budgeted (deficit)/ surplus for the 3 year 2020/21 MTREF period is R13.8 million, R78.6 million and R91.7 million respectively. The municipality is budgeting for a deficit as the unspent grant and depreciation charge is not cashed-back.

3.11 Capital budget - Infrastructure projects

National Treasury has urged municipality to prioritize spending on infrastructure. The summary per category of infrastructure projects over the MTREF is listed in the table below.

Infrastructure projects comprise 99.5% of the total capital budget in 2020/21, 100% in 2021/22 and 100% in 2022/23.

Table 4: Infrastructure projects as % of total capital budget

	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Infrastructure	37 605	28 482	22 496	10 107	28 306
Roads Infrastructure	24 780	16 915	14 896	6 837	24 986
Roads	24 780	16 915	14 896	6 837	24 986
Storm water Infrastructure	-	665	-	-	-
Drainage Collection	-	665	-	-	-
Electrical Infrastructure	4 840	5 640	500	1 800	2 000
Capital Spares	4 840	5 640	500	1 800	2 000
Water Supply Infrastructure	2 000	1 025	5 500	-	-
Water Treatment Works	-	-	3 500	-	-
Distribution	2 000	1 025	2 000	-	-
Sanitation Infrastructure	5 735	4 067	1 200	1 470	1 320
Pump Station	3 735	2 050	-	270	120
Capital Spares	2 000	2 017	1 200	1 200	1 200
Coastal Infrastructure	250	170	400	-	-
Promenades	250	170	400	-	-
Computer Equipment	350	200	100	-	-
Computer Equipment	350	200	100	-	-
Total Capital Expenditure on renewal of existing assets	37 955	28 682	22 596	10 107	28 306

3.12 Repairs and maintenance expenditure

Repairs and maintenance expenditure budget for 2020/21, 2021/22 and 2022/23 is R63 million, R95 million and R97.8 million respectively.

Under the mSCOA classification framework this expenditure is classified under the project segment only. The amounts reflected as repairs and maintenance only represents materials and contracted services. No labour and vehicle cost incurred by the municipality is currently allocated to repairs and maintenance due to the absence of a proper costing system. The real repairs and maintenance is therefore higher than the amount reflected in the budget documents.

Table 5: Repairs and maintenance expenditure

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R&M as a % of PPE		4,8%	5,8%	3,6%	5,3%	5,2%	5,2%	5,0%	6,7%	6,4%
R&M as % Operating Expen		5,9%	7,6%	4,6%	7,5%	6,9%	6,9%	6,6%	9,2%	9,6%

3.13 Rates and tariffs

The proposed 2020/21 rates and tariff increase percentages has been provided in the table below. For comparability the years' increases are also provided.

See section 10.2 for rates and tariffs increases for the two outer years of 2021/22 and 2022/23.

Table 6: Rates and tariffs for 2020/21

Description	Ref	2020/21 Medium Term Revenue & Expenditure Framework		
		Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Property Rates	R236	3,00%	6,50%	6,50%
Electricity	R288	6,22%	6,22%	6,22%
Water	R76	3,00%	6,50%	6,50%
Sanitation	R37	3,00%	6,50%	6,50%
Refuse	R36	12,00%	12,00%	12,00%

3.14 Explanation on tariff increases less than CPIX plus 1

MFMA Circular 98, attached as **Annexure E**, requires that all increases more than the inflation target of 6.2% for 2020/21 must be explained and justified.

i. **Property rates** increases with 3%.

Property rates are used by the municipality to provide basic services and to perform its functions as set out in schedules 4B and 5B of the Constitution of the Republic of South Africa, 1996. This includes installing and maintaining of streets, roads, sidewalks, storm drainage, building regulations, provision of local sport facilities, parks, recreational facilities and cemeteries to name a few. The cost to perform these services will increase above the inflation target of 6.2%. The municipality has however cut costs and plans to reduce inefficiencies in the provision of these services.

Council has resolved to apply to SALGA for exemption on the salary and wage increases that are approved in terms of the bargaining council, which are the main cost drivers such.

ii. The explanation for the **Electricity** increase is provided in section 2. NERSA has published its Municipal Tariff Guideline increase document which is used to determine the municipal tariff increases to consumers. The municipality has budgeted for an increase of 6.22%, as approved by NERSA.

iii. **Water** increase with 3%. Although the main cost drivers such as minimum standards set by Water and Sanitation department and further COVID-19 related cost under this service, the municipality has tried to keep its tariffs increases to a minimum in order not to pass these cost to the consumers. Refer to the sensitivity analysis provided in **Annexure D**.

iv. The budgeted increase in water revenue is 3%. The water tariffs have been restructured to align it with a 6.5% increment between the various water restriction levels.

v. **Refuse** increases with 12.0%

All Municipalities in the Garden route must participate in the regional landfill site being built in Mossel bay. Knysna Municipality must contribute to the capital cost of the regional landfill site and sufficiently budget for operational cost of transporting waste to Mosselbay. Knysna has delayed its decision to increase this tariff and only a marginal increase was done in 2019/20 financial year. In the coming year the increase tariffs in this service is unavoidable and should have been set at between 15% and 20%, however this will be phased out of the MTREF.

- vi. **Sewage** will increase with 3%.

A tariff increase of 3% for 2020/21 and 6.5% for the two outer years is required to move towards full cost recovery to deliver this service. In comparison with other municipalities, Knysna municipality's tariff is low, hence the operating deficit. This is mainly due to main cost drivers such as Electricity Tariff increases and bulk purchases, minimum standards set by Water and Sanitation department. Refer to the sensitivity analysis provided in **Annexure D**

- vi. **Sundry tariffs** will increase with 6.5%.

3.15 Financial support provided to indigent households

Knysna Municipality provides free basic services to poor households as a means of poverty alleviation. This support is to households who are unable to pay, or struggle to pay for their basic services.

Households with an income base below a determined threshold of R3760, will receive a 100% subsidy. These consumers should apply to be registered as an indigent household as defined in the Indigent policy of Council and will be included in the indigent register to obtain this benefit.

Indigent households will in 2020/21 continue to receive free electricity (50 electricity units per month), water (6 kilolitres per month), free refuse removal and free sanitation.

In respect of property rates, properties below R100 000 will receive the first R35 000 value of the residential properties as exempted.

For all categories of properties the first R15 000 is exempted in terms of the MPRA section 17.(1)

Support is also provided to public benefit organisations by subsidising 75% of the residential monthly service account in terms of MPRA rate ratio regulation.

Child headed households are furthermore subsidised in the same manner as a 100% qualifying indigent household and must apply for such subsidisation.

3.16 Financial support provided to pensioners

A special rebate on property rates is provided to pensioners based on their income group per annum as contained in the tariff book and policy, which has been adjusted with approximately 3% from the previous year and is indicated in the table below:

Further to the above pensioners will receive 6 kl free water per month as per council approved tariffs and 50 free units of electricity per month as per council approved tariffs

3.17 Conclusion

The main focus of the 2020/21 budget was the affordability of municipal services and the impact that it has on our consumers. Despite the high ESKOM increase, the objective of the municipality was to keep services and property rates as low as possible. From the last budget Knysna municipality has considered the poor communities, pensioners and vulnerable groups.

For the poor will never cease from the land; therefore I command you, saying, 'You shall open your hand wide to your brother, to your poor and your needy, in your land.' (Deuteronomy 11:14 NKJV)

Section 4: Other important information

4.1 Vision, mission, strategic objectives and game changer obsessions

4.1.1 Vision

The strategic intent of Council is to enhance municipal service delivery and growth.

4.1.2 Mission

- Encouraging all members of society to participate in and support our governance structures. Maintaining cooperative and open partnerships with businesses, civil society, CBO's and other community structures to creating opportunities for dialogue.
- Conserving and managing our natural resources through updating our IDP, SDF, zoning schemes, service master plans and other relevant activities.
- Planning for the growth and development of quality municipal services to support our community.
- Creating an enabling environment to foster development of our people and enabling them to contribute.
- Supporting and encouraging the development of investment, business, and tourism and emerging industries

4.1.3 Strategic objectives

The Council of Knysna Municipality crafted a set of strategic objectives which are aligned to the national strategic focus areas as well as the Provincial Strategic Goals of the Western Cape Government. These Strategic Objectives are define in the IDP and identifies some possible game changing interventions through which the municipality intends to realise those objectives. This is intended to guide directorates within the municipality to develop departmental business plans with specific deliverables and targets to give effect to the strategic objectives of Council, which remained unchanged for this cycle of IDP review.

4.1.4 Municipal Strategic focus areas

The Council also has the following specific focus areas for achieving the vision and mission as set out for the municipality:

1. Sanitation
2. Water Supply
3. Electricity
4. Streets and Storm Water Management
5. Integrated Human Settlements
6. Decent employment opportunities and job creation
7. Rural development
8. Environmental Conservation
9. Disaster management
10. Youth development
11. Care for the elderly
12. Opportunities for women and people living with disability
13. HIV/Aids awareness
14. Sound Financial Planning

15. Institutional Capacity Building
16. Ward committee System
17. Communication
18. Responsive and accountable system of Local Government

These focus areas serve as the foundation and framework on which the municipality will be able to realise its vision, help to drive National and Provincial Government's agenda, expand and enhance its infrastructure, and ensure that all residents have access to the essential services they require.

4.2 Cost containment measures

Draft Municipal Cost Containment Regulation was gazetted on 16 February 2018. A policy in relation to and to support these Regulations was drafted and served before Council in November 2019 and again in April 2020. Council adopted and approved the policy and the effective date of implementation is 1 May 2020. In preparing its 2020/21 budget, the municipality has considered certain cost saving measures which were already implemented from its February adjustments budget of 2019/20 financial year.

4.3 Auditor General – audit outcomes

Whilst the audit outcome of a municipality is not necessary a reflection on the service delivery performance of the municipality, or its financial performance, it does have a positive effect on the sentiment of the public, creditors and bank in terms of the commitment of the municipality to clean governance.

The audit outcomes history since 2013/14 are provided below:

Table 7: Auditor-General audit outcomes

Year	Outcome
2018/19	Fiancially Unqualified
2017/18	Fiancially Unqualified
2016/17	Clean Audit Outcome
2015/16	Clean Audit Outcome
2014/15	Clean Audit Outcome
2013/14	Fiancially Unqualified

4.4 Long term financial plan

Council has approved a 10 year long term financial plan on 26 May 2017 for the period 1 July 2017 – 30 June 2027.

The reviewed long term financial plan is submitted to Council with all budget related policies and with this budget report in May 2020 for Council consideration and approval.

Section 5: Annual budget tables

The following budget tables have been completed and are attached as **Annexure A**:

WC048 Knysna - Table A1 Budget Summary

Description R thousands	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Financial Performance										
Property rates	187,780	203,443	215,549	228,833	229,279	229,279	229,279	236,158	251,508	267,856
Service charges	321,629	333,167	364,764	438,612	411,841	411,841	411,841	435,781	465,263	496,847
Investment revenue	11,105	10,302	9,443	9,000	9,000	9,000	9,000	4,722	9,443	9,443
Transfers recognised - operational	108,170	106,741	145,204	167,300	164,195	164,195	164,195	161,320	133,709	139,112
Other own revenue	131,794	122,443	157,249	123,766	159,148	159,148	159,148	166,233	175,035	184,197
Total Revenue (excluding capital transfers and contributions)	760,478	776,096	892,210	967,511	973,463	973,463	973,463	1,004,214	1,034,958	1,097,455
Employee costs	209,558	216,306	236,178	290,474	289,071	289,071	289,071	283,809	297,883	313,856
Remuneration of councillors	7,674	8,469	8,570	9,982	10,061	10,061	10,061	10,023	10,497	11,004
Depreciation & asset impairment	31,506	29,033	33,373	33,424	33,424	33,424	33,424	30,591	30,253	29,915
Finance charges	13,530	25,557	26,092	31,268	31,279	31,279	31,279	34,041	38,643	40,770
Materials and bulk purchases	180,640	205,895	212,902	222,509	226,843	226,843	226,843	253,038	254,453	270,459
Transfers and grants	37,684	4,582	3,610	4,317	5,810	5,810	5,810	8,409	3,939	4,859
Other expenditure	280,330	284,104	371,440	372,936	376,956	376,956	376,956	416,166	379,097	388,083
Total Expenditure	760,923	773,946	892,164	964,910	973,445	973,445	973,445	1,036,076	1,014,765	1,058,947
Surplus/(Deficit)	(445)	2,150	45	2,601	18	18	18	(31,863)	20,193	38,508
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	59,733	64,195	47,341	50,129	62,313	62,313	62,313	44,350	57,001	51,463
Transfers and subsidies - capital (monetary)	-	1,334	1,910	-	-	-	-	1,360	1,428	1,499
Surplus/(Deficit) after capital transfers & contributions	59,288	67,678	49,296	52,730	62,331	62,331	62,331	13,847	78,622	91,471
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	59,288	67,678	49,296	52,730	62,331	62,331	62,331	13,847	78,622	91,471

The table above reflect the planned income and expenditure. It must be note and emphasised that this by no means an indication that the municipality do have the cash as indicated in the budget. Spending must be monitored and be based on collection levels on month to month basis.

WC048 Knysna - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		225,855	249,989	262,591	274,909	292,450	292,450	296,974	324,831	348,429
Executive and council		11,683	13,277	12,635	16,192	16,192	16,192	10,642	10,992	11,583
Finance and administration		214,172	236,712	249,956	258,717	276,259	276,259	286,332	313,839	336,845
Internal audit		—	—	—	—	—	—	—	—	—
<i>Community and public safety</i>		171,654	149,169	196,873	173,699	201,943	201,943	189,983	169,360	163,580
Community and social services		13,753	12,152	19,828	15,348	12,236	12,236	11,272	11,885	12,531
Sport and recreation		1,242	1,161	2,835	1,627	1,628	1,628	1,709	1,795	1,884
Public safety		102,352	88,617	118,062	84,783	122,139	122,139	122,623	128,754	135,192
Housing		54,307	47,238	56,148	71,941	65,941	65,941	54,378	26,926	13,972
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		12,257	8,821	10,280	9,944	11,462	11,462	18,165	19,983	23,213
Planning and development		6,051	6,152	5,309	4,546	6,064	6,064	9,065	7,906	8,729
Road transport		6,205	2,669	4,971	5,397	5,397	5,397	9,101	12,078	14,483
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		410,446	433,646	471,716	559,089	529,921	529,921	544,801	579,212	615,196
Energy sources		251,487	242,387	280,189	305,070	284,328	284,328	305,388	324,022	343,847
Water management		94,551	99,586	99,102	121,021	108,199	108,199	102,369	109,236	116,252
Waste water management		31,358	53,141	52,726	80,060	84,447	84,447	76,631	75,085	82,025
Waste management		33,050	38,531	39,700	52,938	52,947	52,947	60,413	70,869	73,073
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
Total Revenue - Functional	2	820,211	841,624	941,461	1,017,640	1,035,776	1,035,776	1,049,923	1,093,387	1,150,418
Expenditure - Functional										
<i>Governance and administration</i>		137,111	140,097	171,449	182,487	178,934	178,934	196,330	183,610	190,664
Executive and council		30,781	30,779	22,299	33,110	30,315	30,315	25,688	28,188	29,282
Finance and administration		99,129	105,333	142,477	144,319	143,540	143,540	164,875	149,396	155,518
Internal audit		7,201	3,985	6,673	5,058	5,079	5,079	5,767	6,027	5,863
<i>Community and public safety</i>		206,339	196,363	260,302	257,501	270,447	270,447	270,059	257,210	264,049
Community and social services		22,532	21,609	25,704	37,241	34,601	34,601	23,788	37,024	39,242
Sport and recreation		15,710	14,803	17,045	22,842	21,906	21,906	26,197	28,610	29,738
Public safety		118,683	120,621	156,899	122,512	148,885	148,885	158,242	156,716	164,092
Housing		49,414	39,330	60,654	74,906	65,056	65,056	61,832	34,859	30,978
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		72,128	83,823	86,856	115,192	107,084	107,084	98,242	108,913	113,121
Planning and development		24,842	27,430	27,901	34,124	36,885	36,885	41,730	41,047	41,166
Road transport		45,807	52,658	54,550	70,498	60,782	60,782	51,309	62,976	65,564
Environmental protection		1,478	3,735	4,405	10,569	9,417	9,417	5,203	4,890	6,390
<i>Trading services</i>		345,345	353,663	373,558	409,730	416,980	416,980	471,445	465,032	491,113
Energy sources		199,025	196,281	210,151	246,337	239,132	239,132	264,188	271,344	288,759
Water management		71,683	42,869	49,608	39,015	61,064	61,064	65,699	62,247	64,248
Waste water management		33,475	68,494	74,317	69,378	71,096	71,096	83,332	85,260	89,838
Waste management		41,161	46,019	39,482	55,001	45,689	45,689	58,226	46,181	48,268
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
Total Expenditure - Functional	3	760,923	773,946	892,164	964,910	973,445	973,445	1,036,076	1,014,765	1,058,947
Surplus/(Deficit) for the year		59,288	67,678	49,296	52,730	62,331	62,331	13,847	78,622	91,471

WC048 Knysna - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue by Vote							
Vote 1 - Executive & Council	12 635	16 192	16 192	16 192	10 642	10 992	11 583
Vote 2 - Corporate Services	3 640	3 222	9 556	9 556	3 960	4 208	4 386
Vote 3 - Financial Services	237 971	245 474	246 554	246 554	249 586	269 674	286 686
Vote 5 - Planning & Development	69 124	85 236	90 747	90 747	74 107	48 575	37 804
Vote 6 - Community Services	185 351	159 371	193 744	193 744	219 021	241 425	254 249
Vote 7 - Electrical Services	280 189	305 070	284 336	284 336	305 397	324 031	343 856
Vote 8 - Technical Services	152 551	203 075	194 647	194 647	187 210	194 482	211 854
Total Revenue by Vote	941 461	1 017 640	1 035 776	1 035 776	1 049 923	1 093 387	1 150 418
Expenditure by Vote to be appropriated							
Vote 1 - Executive & Council	31 542	41 102	38 190	38 190	34 643	37 566	38 639
Vote 2 - Corporate Services	37 288	44 314	41 693	41 693	39 352	42 900	44 392
Vote 3 - Financial Services	78 358	78 080	79 630	79 630	103 099	81 581	85 003
Vote 5 - Planning & Development	93 894	111 355	101 970	101 970	89 406	62 185	59 760
Vote 6 - Community Services	247 931	247 088	262 640	262 640	276 286	278 141	291 685
Vote 7 - Electrical Services	213 065	251 193	243 373	243 373	269 342	279 125	296 838
Vote 8 - Technical Services	190 087	191 778	205 949	205 949	223 949	233 266	242 630
Total Expenditure by Vote	892 164	964 910	973 445	973 445	1 036 076	1 014 765	1 058 947
Surplus/(Deficit) for the year	49 296	52 730	62 331	62 331	13 847	78 622	91 471

From the above table it is evident that the municipal spending program is geared towards the following:

- Technical services
- Electrical services
- Community services

This is a deliberate strategy in line with NDP and Provincial strategy to create a conducive environment for economic growth.

WC048 Knysna - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue By Source											
Property rates	2	187,780	203,443	215,549	228,833	229,279	229,279	229,279	236,158	251,508	267,856
Service charges - electricity revenue	2	229,166	225,416	244,935	284,203	270,773	270,773	270,773	287,615	305,505	324,507
Service charges - water revenue	2	60,506	69,696	67,970	86,660	73,338	73,338	73,338	75,538	80,448	85,677
Service charges - sanitation revenue	2	13,953	16,941	29,897	35,901	35,884	35,884	35,884	36,961	39,363	41,922
Service charges - refuse revenue	2	18,003	21,114	21,962	31,849	31,846	31,846	31,846	35,667	39,947	44,741
Rental of facilities and equipment		5,290	4,510	5,601	5,441	5,456	5,456	5,456	5,728	6,015	6,316
Interest earned - external investments		11,105	10,302	9,443	9,000	9,000	9,000	9,000	4,722	9,443	9,443
Interest earned - outstanding debtors		10,701	15,124	16,755	14,559	14,559	14,559	14,559	16,357	17,518	18,804
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		102,343	84,707	116,737	84,708	116,708	116,708	116,708	122,543	128,671	135,104
Licences and permits		1,756	1,672	1,587	1,664	1,664	1,664	1,664	1,747	1,835	1,926
Agency services		2,739	3,096	3,297	3,000	3,000	3,000	3,000	3,150	3,308	3,473
Transfers and subsidies		108,170	106,741	145,204	167,300	164,195	164,195	164,195	161,320	133,709	139,112
Other revenue	2	7,638	13,334	12,181	8,395	10,653	10,653	10,653	8,950	9,544	10,022
Gains		1,326	–	1,092	6,000	7,109	7,109	7,109	7,757	8,145	8,552
Total Revenue (excluding capital transfers and contributions)		760,478	776,096	892,210	967,511	973,463	973,463	973,463	1,004,214	1,034,958	1,097,455
Expenditure By Type											
Employee related costs	2	209,558	216,306	236,178	290,474	289,071	289,071	289,071	283,809	297,883	313,856
Remuneration of councillors		7,674	8,469	8,570	9,982	10,061	10,061	10,061	10,023	10,497	11,004
Debt impairment	3	111,800	109,188	136,036	81,023	134,807	134,807	134,807	183,499	135,388	142,220
Depreciation & asset impairment	2	31,506	29,033	33,373	33,424	33,424	33,424	33,424	30,591	30,253	29,915
Finance charges		13,530	25,557	26,092	31,268	31,279	31,279	31,279	34,041	38,643	40,770
Bulk purchases	2	159,871	156,923	169,553	195,795	193,295	193,295	193,295	206,632	220,890	236,131
Other materials	8	20,768	48,972	43,349	26,714	33,548	33,548	33,548	46,405	33,564	34,328
Contracted services		101,401	117,980	182,864	209,293	177,537	177,537	177,537	158,164	177,177	176,195
Transfers and subsidies		37,684	4,582	3,610	4,317	5,810	5,810	5,810	8,409	3,939	4,859
Other expenditure	4, 5	65,933	56,936	52,527	82,620	64,612	64,612	64,612	74,453	66,480	69,614
Losses		1,196	–	13	–	–	–	–	50	52	53
Total Expenditure		760,923	773,946	892,164	964,910	973,445	973,445	973,445	1,036,076	1,014,765	1,058,947
Surplus/(Deficit)		(445)	2,150	45	2,601	18	18	18	(31,863)	20,193	38,508
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		59,733	64,195	47,341	50,129	62,313	62,313	62,313	44,350	57,001	51,463
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental)	6	–	–	917	–	–	–	–	1,360	1,428	1,499
Transfers and subsidies - capital (in-kind - all)		–	1,334	993	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		59,288	67,678	49,296	52,730	62,331	62,331	62,331	13,847	78,622	91,471
Taxation											
Surplus/(Deficit) after taxation		59,288	67,678	49,296	52,730	62,331	62,331	62,331	13,847	78,622	91,471
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		59,288	67,678	49,296	52,730	62,331	62,331	62,331	13,847	78,622	91,471
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		59,288	67,678	49,296	52,730	62,331	62,331	62,331	13,847	78,622	91,471

Table A5 – Budgeted Capital Expenditure by Vote, standard classification and funding;

Vote Description R thousand	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital expenditure - Vote							
Multi-year expenditure to be appropriated							
Vote 1 - Executive & Council	-	-	-	-	-	-	-
Vote 2 - Corporate Services	-	-	-	-	-	4 200	4 000
Vote 3 - Financial Services	150	-	-	-	-	-	-
Vote 5 - Planning & Development	500	500	500	500	-	5 500	-
Vote 6 - Community Services	4 367	470	470	470	4 110	7 555	3 378
Vote 7 - Electrical Services	23 939	13 557	13 557	13 557	12 200	14 800	6 600
Vote 8 - Technical Services	97 831	80 946	80 946	80 946	100 159	57 619	83 366
Capital multi-year expenditure sub-total	126 787	95 473	95 473	95 473	116 469	89 674	97 344
Single-year expenditure to be appropriated							
Vote 1 - Executive & Council	200	2 359	2 359	2 359	-	-	-
Vote 2 - Corporate Services	4 970	967	967	967	-	-	300
Vote 3 - Financial Services	3 160	1 206	1 206	1 206	2 579	-	-
Vote 5 - Planning & Development	11 850	11 206	11 206	11 206	7 103	9 000	6 500
Vote 6 - Community Services	19 206	24 467	24 467	24 467	22 589	21 552	21 291
Vote 7 - Electrical Services	16 418	10 606	10 606	10 606	5 698	9 948	9 848
Vote 8 - Technical Services	34 984	46 731	46 731	46 731	3 500	14 990	5 800
Capital single-year expenditure sub-total	90 788	97 542	97 542	97 542	41 469	55 490	43 739
Total Capital Expenditure - Vote	217 575	193 015	193 015	193 015	157 938	145 164	141 083
Capital Expenditure - Functional							
Governance and administration	9 690	4 653	4 653	4 653	2 879	4 200	4 750
Executive and council	200	2 359	2 359	2 359	-	-	-
Finance and administration	9 490	2 294	2 294	2 294	2 879	4 200	4 750
Internal audit	-	-	-	-	-	-	-
Community and public safety	30 063	33 822	33 822	33 822	26 560	38 607	27 869
Community and social services	11 896	18 358	18 358	18 358	16 143	16 552	18 091
Sport and recreation	4 517	660	660	660	2 960	6 955	3 278
Public safety	1 300	3 098	3 098	3 098	696	600	-
Housing	12 350	11 706	11 706	11 706	6 761	14 500	6 500
Health	-	-	-	-	-	-	-
Economic and environmental services	35 399	20 674	20 674	20 674	31 258	24 237	44 086
Planning and development	1 200	1 200	1 200	1 200	500	500	500
Road transport	34 199	19 474	19 474	19 474	30 716	23 737	43 586
Environmental protection	-	-	-	-	42	-	-
Trading services	142 423	133 865	133 865	133 865	97 241	78 120	64 378
Energy sources	40 357	24 163	24 163	24 163	17 898	24 748	16 448
Water management	67 231	80 768	80 768	80 768	47 551	17 893	15 300
Waste water management	30 885	26 234	26 234	26 234	25 692	30 479	29 780
Waste management	3 950	2 700	2 700	2 700	6 100	5 000	2 850
Other	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	217 575	193 015	193 015	193 015	157 938	145 164	141 083
Funded by:							
National Government	41 168	38 638	38 638	38 638	37 949	42 501	44 963
Provincial Government	12 350	15 389	15 389	15 389	6 401	14 500	6 500
District Municipality	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary)	-	-	-	-	-	-	-
Transfers recognised - capital	53 518	54 027	54 027	54 027	44 350	57 001	51 463
Borrowing	71 367	73 445	73 445	73 445	71 809	56 763	55 020
Internally generated funds	92 690	65 543	65 543	65 543	41 779	31 400	34 600
Total Capital Funding	217 575	193 015	193 015	193 015	157 938	145 164	141 083

WC048 Knysna - Table A6 Budgeted Financial Position

Description	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand								
ASSETS								
Current assets								
Cash	47 504	24 509	–	–	–	–	–	–
Call investment deposits	24 205	–	24 205	24 205	24 205	5 008	5 008	5 008
Consumer debtors	59 126	51 436	125 580	125 580	125 580	125 580	125 580	125 580
Other debtors	104 816	120 019	56 494	56 494	56 494	56 494	56 494	56 494
Current portion of long-term receivables	8		8	8	8	8	8	8
Inventory	10 291	6 201	9 066	9 066	9 066	9 610	10 187	10 798
Total current assets	245 950	202 166	215 352	215 352	215 352	196 700	197 276	197 888
Non current assets								
Long-term receivables	2 052	7	2 052	2 052	2 052	2 052	2 052	2 052
Investments	34 498	–	34 491	34 491	34 491	9 491	9 491	9 491
Investment property	76 755	76 915	76 755	76 755	76 755	76 595	76 436	76 277
Property, plant and equipment	1 129 832	1 368 262	1 289 451	1 289 451	1 289 451	1 416 973	1 532 059	1 643 403
Intangible	136	154	136	136	136	120	104	88
Other non-current assets	17 435	19 349	17 435	17 435	17 435	17 435	17 435	17 435
Total non current assets	1 260 707	1 464 686	1 420 320	1 420 320	1 420 320	1 522 666	1 637 577	1 748 746
TOTAL ASSETS	1 506 658	1 666 852	1 635 672	1 635 672	1 635 672	1 719 366	1 834 854	1 946 633
LIABILITIES								
Current liabilities								
Bank overdraft	–	–	36 681	36 732	36 732	39 913	29 848	8 659
Borrowing	24 667	19 680	24 667	24 667	24 667	24 667	24 667	24 667
Consumer deposits	12 924	14 024	13 468	13 468	13 468	14 036	14 628	15 245
Trade and other payables	114 652	108 552	118 864	114 898	114 898	120 106	125 627	131 478
Provisions	38 872	35 224	38 865	42 831	42 831	47 265	52 231	57 794
Total current liabilities	191 116	177 480	232 546	232 597	232 597	245 987	247 001	237 843
Non current liabilities								
Borrowing	174 337	238 462	315 322	223 378	223 378	267 404	289 704	305 003
Provisions	109 696	134 074	23 427	115 371	115 371	127 801	141 353	155 521
Total non current liabilities	284 033	372 535	338 748	338 748	338 748	395 205	431 057	460 524
TOTAL LIABILITIES	475 149	550 016	571 294	571 346	571 346	641 193	678 059	698 367
NET ASSETS	1 031 509	1 116 836	1 064 378	1 064 326	1 064 326	1 078 173	1 156 795	1 248 266
COMMUNITY WEALTH/EQUITY								
Accumulated Surplus/(Deficit)	986 009	1 076 336	1 018 878	1 018 826	1 018 826	1 032 673	1 111 295	1 202 766
Reserves	45 500	40 500	45 500	45 500	45 500	45 500	45 500	45 500
TOTAL COMMUNITY WEALTH/EQUITY	1 031 509	1 116 836	1 064 378	1 064 326	1 064 326	1 078 173	1 156 795	1 248 266

WC048 Knysna - Table A7 Budgeted Cash Flows

Description	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand							
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Property rates	224 256	217 494	217 494	217 494	205 447	243 952	259 809
Service charges	431 138	369 625	369 625	369 625	404 778	459 219	490 330
Other revenue	36 549	39 919	39 641	39 641	36 691	45 102	47 989
Transfers and Subsidies - Operational	167 300	167 195	164 195	164 195	155 626	129 145	132 366
Transfers and Subsidies - Capital	50 129	62 313	-	-	50 044	61 565	58 209
Interest	23 531	22 103	22 103	22 103	4 722	9 443	9 443
Dividends	-	-	-	-	-	-	-
Payments							
Suppliers and employees	(803 063)	(794 156)	(791 208)	(791 208)	(771 148)	(796 237)	(829 348)
Finance charges	(31 268)	(21 409)	(21 409)	(21 409)	(23 660)	(28 261)	(30 389)
Transfers and Grants	(4 317)	(5 810)	(5 810)	(5 810)	(8 409)	(3 939)	(4 859)
NET CASH FROM/(USED) OPERATING ACTIVITIES	94 255	57 274	(5 370)	(5 370)	54 090	119 989	133 550
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
Proceeds on disposal of PPE	6 000	7 109	69 701	69 701	9 117	9 573	10 052
Decrease (increase) in non-current receivables	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	25 000	-	-
Payments							
Capital assets	(200 798)	(191 395)	(191 395)	(191 395)	(155 178)	(142 389)	(138 328)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(194 798)	(184 286)	(121 694)	(121 694)	(121 061)	(132 816)	(128 276)
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
Short term loans	-	-	-	-	-	-	-
Borrowing long term/refinancing	71 367	73 445	73 445	73 445	71 809	56 763	55 020
Increase (decrease) in consumer deposits	844	544	544	544	567	592	617
Payments							
Repayment of borrowing	(24 397)	(24 397)	(24 397)	(24 397)	(27 783)	(34 463)	(39 721)
NET CASH FROM/(USED) FINANCING ACTIVITIES	47 813	49 591	49 591	49 591	44 594	22 892	15 916
NET INCREASE/ (DECREASE) IN CASH HELD	(52 730)	(77 421)	(77 473)	(77 473)	(22 377)	10 065	21 189
Cash/cash equivalents at the year begin:	77 239	99 436	64 945	64 945	(12 528)	(34 905)	(24 840)
Cash/cash equivalents at the year end:	24 509	22 015	(12 528)	(12 528)	(34 905)	(24 840)	(3 650)

WC048 Knysna - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description R thousand	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Cash and investments available							
Cash/cash equivalents at the year end	24 509	22 015	(12 528)	(12 528)	(34 905)	(24 840)	(3 650)
Other current investments > 90 days	-	(34 491)	-	-	-	-	-
Non current assets - Investments	-	34 491	34 491	34 491	9 491	9 491	9 491
Cash and investments available:	24 509	22 015	21 964	21 964	(25 413)	(15 348)	5 841
Application of cash and investments							
Unspent conditional transfers	315	-	-	-	-	-	-
Unspent borrowing	-	-	-	-	-	-	-
Statutory requirements	-	-	-	-	-	-	-
Other working capital requirements	(42 859)	(32 698)	(36 599)	(36 599)	(29 333)	(36 289)	(30 800)
Other provisions	-	-	-	-	-	-	-
Long term investments committed	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-
Total Application of cash and investments:	(42 544)	(32 698)	(36 599)	(36 599)	(29 333)	(36 289)	(30 800)
Surplus(shortfall)	67 054	54 713	58 563	58 563	3 920	20 940	36 641

Table A 9 and A10 –are attached as part of **Annexure A**.

The supporting schedules SA1 to SA 37 are also included as part of **Annexure A**

A. PART 2: SUPPORTING DOCUMENTATION

Section 6: Overview of annual budget process

The overview of the 2020/21 Budget and IDP process was approved by Council in August 2019. The process outline key dates and public participation process that was intended to be followed. This has been impacted as a result of COVID-19 and Presidential pronouncement on 23 of March 2020.

The annual budget process highlighted key dates for public participation. This process normally involves the municipality presenting its budget to all the different wards and engage the public on the draft budget. Due to COVID-19 no public meetings could be held. A consideration was muted for ward committee based public participation but it was felt that the ward committees themselves represent the mandate of the masses/community. Consulting only ward committees would not have served the true meaning of participative democracy. All municipality have however been exempted from complying with this requirement of the legislation

Section 7: Overview of the alignment of the annual budget with the IDP

The IDP serves as a guideline to the municipality for the correct budget and resource allocations in ensuring that it meets the needs of its residents. It is also an integrated inter-governmental system of planning which requires the involvement of all three spheres of government. Some contributions have to be made by provincial and national government to assist municipal planning and therefore government has created a range of policies and strategies to support and guide development and to ensure alignment between all spheres of government as stated by the section 24 of the Municipal Systems Act. This alignment is provided in SA4,SA5 and SA6.

The IDP drives the strategic development of KM. The Municipality's budget is influenced by the municipal strategic focus areas and strategic objectives identified in the IDP. The Service Delivery Budget Implementation Plan (SDBIP) ensures that the Municipality implements programmes and projects based on the IDP targets and associated budgets.

The budget has been compiled in accordance with the municipality's IDP document. Also refer to tables SA3, SA4 and SA5 which is aligned with the strategic objectives and goals of the municipality.

Section 8: Measurable performance objectives and indicators

This budget is indicative of our commitment to achieving the objectives of local government set out in the Constitution of the Republic of South Africa and to do so in an efficient, effective and sustainable manner. These commitments are entrenched in our mission, vision and value statements and as such are reflected so in our budget and services delivery processes.

The MTREF has been compiled in such a manner to ensure sustainable service delivery and to invest in infrastructure that will ensure growth over the medium term to long term. The measureable performance objectives are indicators included in the budget tables SA4 and SA7.

Section 9: Overview of budget related policies

The amended budget related policies and the supply chain management policy are attached as **Annexure F** and a summary of amendments is provided to Councillors.

10. Section 10: Overview of budget assumptions

The following assumptions were used in the preparation of the budget:

10.1 General assumptions

1. The average estimated CPIX that were used compiling the budget was 4.1% for 2020/21, 4.6% for 2021/22 and 4.6% for 2022/23 as guided by MFMA Circular 99. All expenditure types however do not increase with a similar percentage;
2. Departments were required to budget in terms of general cost containment measures. Directors and management must apply control over non-priority spending;
3. A 3-year Salary and Wage Collective Agreement was implemented from 1 July 2018. In terms of the tri-party collective agreement reached at the South African Local Government Bargaining Council, employment costs is based on an estimated CPIX of 4.1% plus 1.5% (that is 5.6%), plus the normal notch increases of approximately 1.1%, totalling an 6.7% budgeted increase. The two outer years was also budgeted at 6.8%.

Knysna Municipality has applied for exemption to SLAGA in relation to the salary wage agreement. The outcome is awaited.

4. An increase of 3% was provided for the water tariff;
5. An increase of 6.9% was provided for the bulk electricity purchases;
6. An amount of R 41 million for 2020/21, R31 million for 2021/22 and R34 for 2022/23 financial years is budgeted as a contribution to the CRR over the MTREF, to fund capital projects. It must be noted that the CRR is not backed by cash. The strategy to fund the CRR is depended on alienation of properties and land during the financial year.
7. The external loans to be taken up to fund the capital budget will be as follows:

2020/21: R 71 million new proposed external loan for various projects, 2021/22: R 56 million new proposed external loan for various projects; 2022/23: R 55.0 new proposed external loan for various projects.

10.2 Revenue and tariff increase assumptions

1. Grants allocation has been included as follows in this budget:
 - National Grants: In accordance with Division of Revenue Bill;

- Provincial Grants: In accordance with the Provincial Gazette;

The following principles and tariff increases, based on the affordability and cross subsidisation are proposed:

- Less than CPIX and affordability by community considered, with high cross subsidization;
- Indigent free basic services are financed from the Equitable share;
- Electricity 6.22% (with a free 50 kWh per month to indigent households). An 6.22% increase for the two outer years has been budgeted for;
- Water 3% revenue increase from level 2 water restriction tariffs (with 6 kilolitres, plus the basic levy for water free to indigent households). A 6.5% increase for the two outer years has been budgeted for. Water basic and availability fees to increase with 6.5%;
- Refuse 12.0% to ensure cost reflective tariffs (with two free refuse removals per month free for indigent households). A 12.0% increase for the two outer years has been budgeted for;
- Property rates 3% (with property values less than R100 000). A 6.5% increase for the two outer years has been budgeted for;
- Sewerage 3% (with 100% subsidy for indigent households). To move towards cost reflective tariffs. A 6.5% increase for the two outer years has been budgeted for;
- Sundry tariffs 6.5% - Rental of halls, building plan fees, etc. A 6.5% increase for the two outer years has been budgeted for.

Section 11: Overview of budget funding

The budget must be funded from actual revenue to be collected during the financial year and must be cost reflective. The Operating budget is funded from Revenue as indicated in the relevant A schedules attached.

The 3 year MTREF capital budget is R444 million. The capital budget is funded from various sources of which the Capital Replacement Reserve is the lowest contributor. The 2020/21 MTREF capital budget will deplete the Capital Replacement Reserve over the next three years. It is estimated that the CRR's balance will be only **R5 million** at the end of 2022/23.

A summary of the capital budget funding sources is provided in the table and graph below:

Table 8: Funding sources of the capital budget

Vote Description R thousand	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Funded by:							
National Government	41 168	38 638	38 638	38 638	37 949	42 501	44 963
Provincial Government	12 350	15 389	15 389	15 389	6 401	14 500	6 500
District Municipality	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary)	-	-	-	-	-	-	-
Transfers recognised - capital	53 518	54 027	54 027	54 027	44 350	57 001	51 463
Borrowing	71 367	73 445	73 445	73 445	71 809	56 763	55 020
Internally generated funds	92 690	65 543	65 543	65 543	41 779	31 400	34 600
Total Capital Funding	217 575	193 015	193 015	193 015	157 938	145 164	141 083

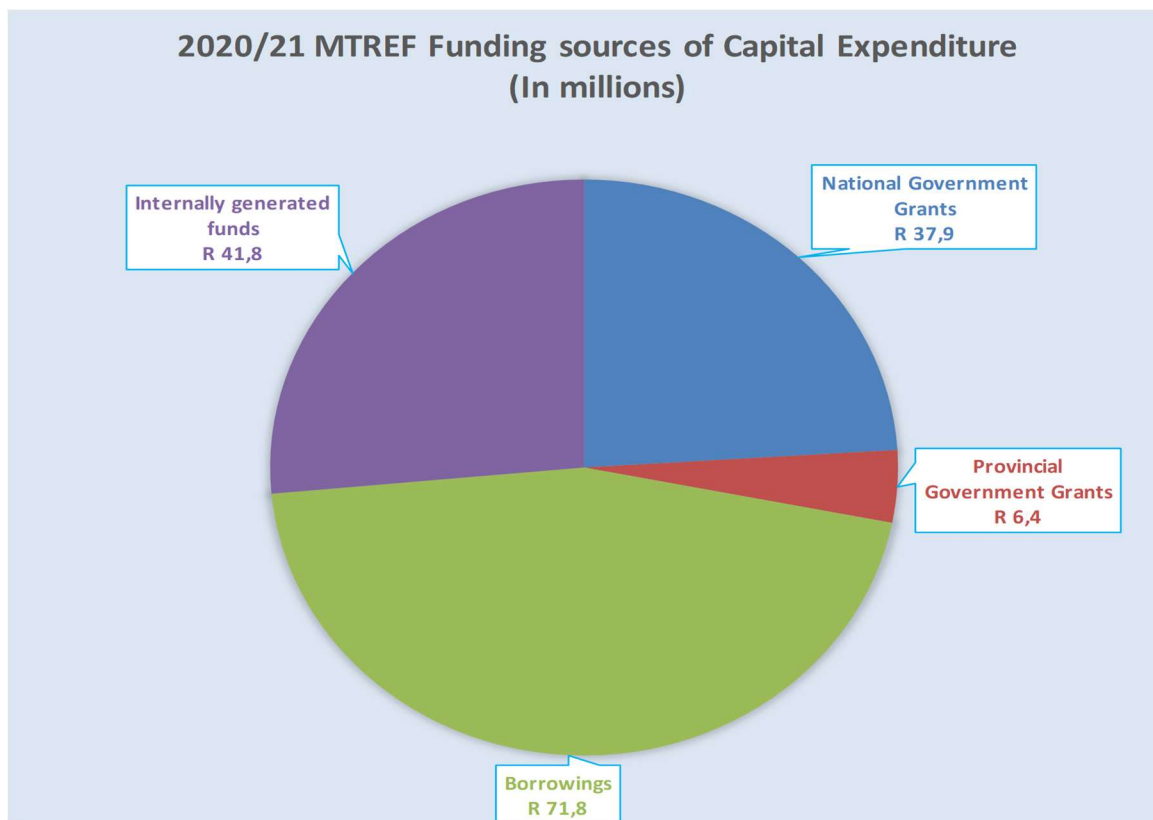


Figure 4: Funding sources of the capital budget

11.1 Capital Replacement Reserve (CRR)

The municipality has set aside cash to replace assets or to acquire new assets. Since the implementation of General Recognised Accounting Practices (GRAP), and the subsequent implementation of depreciation charges in local government the capital replacement reserve's contributions is not yet part of the depreciation charges. With the unbundling of infrastructure assets when GRAP was initially implemented the value of Property Plant and Equipment increased substantially.

Over time the capital replacement reserve must be maintained in a responsible manner allowing the municipality to acquire assets through this internal funding source and without too much reliance on external borrowings and grants. If the capital budget is not spent in its entirety in the next three years, the funds must be carried forward to complete the projects.

The capital replacement reserve is depleted and in future capital expenditure funded from the capital replacement reserve is limited to the annual amount of cash backed plus capital contributions received during the year.

A history of the capital budget expenditure has been provided below as well as the budgeted estimates up to 2022/23. It is estimated that at the end of this 9-year period the municipality would have invested R1.2 billion into capital projects.

Table 9: History of the capital budget versus actual expenditure

YEAR	ACTUAL / ESTIMATE	CAPITAL BUDGET	CAPITAL EXPENDITURE	%
2014/15	Actual	89 134 344	61 788 265	69,32%
2015/16	Actual	103 004 000	97 321 828	94,48%
2016/17	Actual	109 092 000	96 404 060	88,37%
2017/18	Actual	139 087 257	129 666 484	93,23%
2018/19	Actual	212 523 016	149 666 159	70,42%
2019/20	Estimate	193 014 870	160 511 166	83,16%
2020/21	Estimate	157 937 880	131 341 141	83,16%
2021/22	Estimate	145 164 301	120 718 633	83,16%
2022/23	Estimate	141 083 250	117 324 831	83,16%

11.2 External loans

Provision is made in the two outer years of the 2022/23 MTREF for new loans of R111 million. The table below provides for a reconciliation of new and historic

loans. The list of the projects funded from external loans is attached as **Annexure H**.

Table 10: Summary external loans

The summary of external loans is attached with Annexure H.

Section 12: Expenditure on allocations and grant programmes

The total operating grants to be received for 2020/21 comprises R 161 million, and for the two outer years are R 133 million and R 139 million respectively.

The total grant that was allocated to the municipality over the MTREF is provided in the table below.

Table 11: Provincial housing grants

HUMAN SETTLEMENT GRANT FINANCIAL PERFORMANCE ON TOP STRUCTURES						
2018-19 Adjusted Budget	2018-19 Audited Outcome	2019-20 Adjusted Budget	2019-20 YTD Actuals (MAR 2020)	2020-21 Draft Budget	2021-22 Draft Budget	2022-23 Draft Budget
59 828 500	40 647 529	53 394 569	36 654 603	47 095 000	12 850 000	6 500 000

Section 13: Transfers and grants made by the municipality

The total transfers and grants made by the Municipality are contained in SA21 and a listing of these transfers and grants.

Section 14: Councillor allowances and employee benefits

This is contained in supporting schedule table SA22 and SA23. A summary of the employee related cost, excluding councillors' salaries and allowances has been provided in the table below.

Table 12: Employee cost percentages

SALARY BUDGET AS A % OF ATOTAL OPERATING EXPENDITURE			
	Salary Cost	Total Operating Expenditure	% of Total operating expenditure
2012/13 Actual	151 924 440,00	493 692 336,00	31%
2013/14 Actual	163 609 422,00	582 151 184,00	28%
2014/15 Actual	179 889 811,00	603 588 331,00	30%
2015/16 Actual	190 927 551,00	710 366 203,00	27%
2016/17 Actual	204 291 686,00	762 543 732,00	27%
2017/18 Actual	226 731 358,00	793 296 437,00	29%
2018/19 Actual	245 685 762,00	893 284 714,00	28%
2019/20 Adjusted Budget	289 071 000,00	973 445 000,00	30%
2020/21 Budget	283 808 518,00	1 036 076 367,00	27%
2021/22 Budget	297 883 441,00	1 014 765 377,00	29%
2022/23 Budget	313 856 418,00	1 058 946 559,00	30%

Section 15: Monthly targets for revenue expenditure and cash flows

This is contained in supporting schedule table SA25 and SA30

16. Section 16: Annual budgets and SDBIP

The final service delivery and budget implementation plans (SDBIP) will be dealt with after the budget is finally approved to be submitted to the Mayor within 14 days after the approval of the budget and approved by the Mayor within 28 days after the approval of the budget.

17. Section 17: Contracts having future budgetary implications

It is required to disclose in the budget documentation any contracts that will impose financial obligations on the municipality beyond the three years covered by the 2020/21 MTREF. The detail of this is included in supporting tables SA32 and SA33.

18. Section 18: Capital expenditure details

The detailed capital budget funded from Loans as **Annexure H**. More detail on the Capital Budget is contained in Supporting tables SA34a; SA34b, SA34c; SA35; SA36.

The capital budget for 2020/21 comprises R157 million, and for the two outer years are R145 million and R141.0 million respectively. The summary of the capital budgets per vote is listed in the tables and figures below.

Table 13: Capital budget per vote

Vote Description	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand								
Capital expenditure - Vote								
Multi-year expenditure to be appropriated								
Vote 1 - Executive & Council	666	-	-	-	-	-	-	-
Vote 2 - Corporate Services	35	-	-	-	-	-	4 200	4 000
Vote 3 - Financial Services	115	150	-	-	-	-	-	-
Vote 5 - Planning & Development	-	500	500	500	500	-	5 500	-
Vote 6 - Community Services	12 458	4 367	470	470	470	4 110	7 555	3 378
Vote 7 - Electrical Services	14 591	23 939	13 557	13 557	13 557	12 200	14 800	6 600
Vote 8 - Technical Services	66 135	97 831	80 946	80 946	80 946	100 159	57 619	83 366
Capital multi-year expenditure sub-total	94 001	126 787	95 473	95 473	95 473	116 469	89 674	97 344
Single-year expenditure to be appropriated								
Vote 1 - Executive & Council	973	200	2 359	2 359	2 359	-	-	-
Vote 2 - Corporate Services	130	4 970	967	967	967	-	-	300
Vote 3 - Financial Services	1 548	3 160	1 206	1 206	1 206	2 579	-	-
Vote 5 - Planning & Development	9 239	11 850	11 206	11 206	11 206	7 103	9 000	6 500
Vote 6 - Community Services	17 349	19 206	24 467	24 467	24 467	22 589	21 552	21 291
Vote 7 - Electrical Services	10 676	16 418	10 606	10 606	10 606	5 698	9 948	9 848
Vote 8 - Technical Services	15 508	34 984	46 731	46 731	46 731	3 500	14 990	5 800
Capital single-year expenditure sub-total	55 423	90 788	97 542	97 542	97 542	41 469	55 490	43 739
Total Capital Expenditure - Vote	149 423	217 575	193 015	193 015	193 015	157 938	145 164	141 083

The capital budget for the next three financial years mainly focus on infrastructure services and community services. This is in line with the NDP to renew and upgrade infrastructure and community assets in order to create a conducive environment for investment and growth. Below is a breakdown of the capital budget.

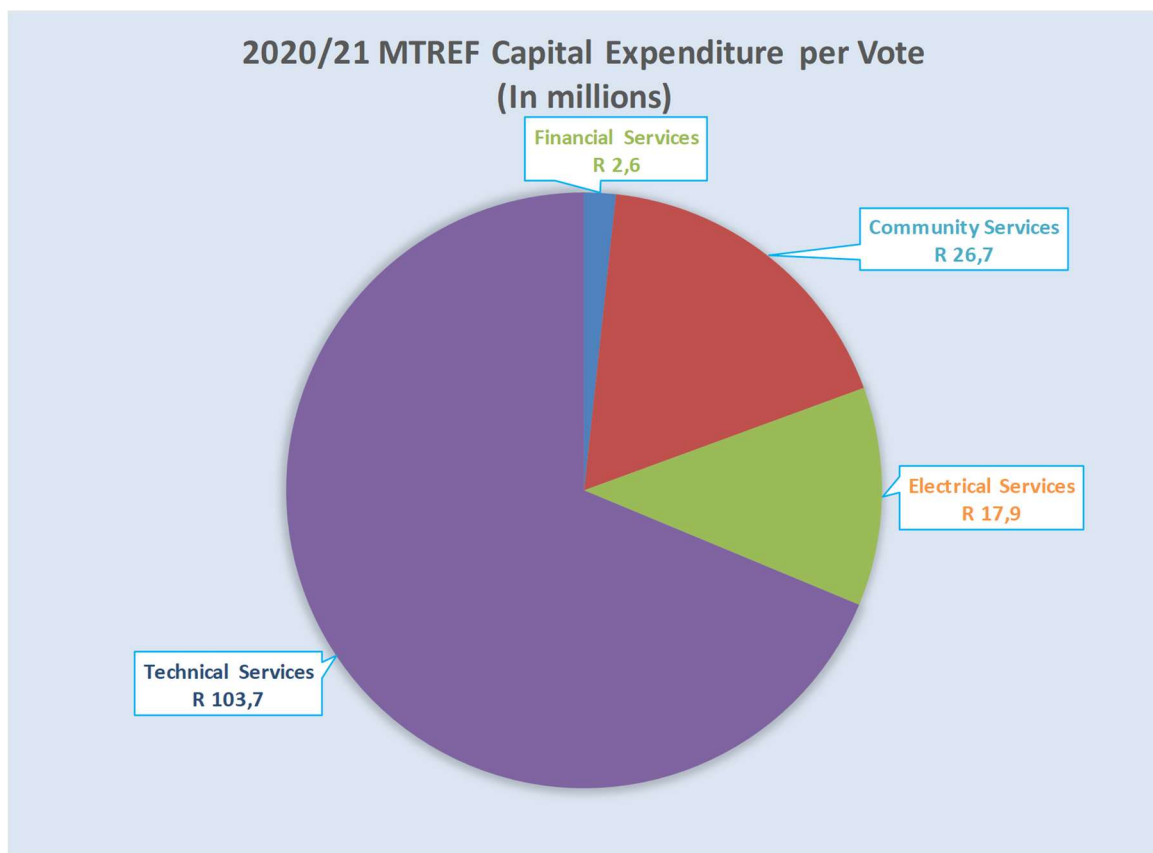


Figure 5: Capital budget per vote

19. Section 19: Legislation compliance status

All relevant legislations and regulations have been implemented. The applicable legislation and circulars considered were:

- Sections 15 – 33 of the MFMA;
- MFMA circulars 98 and 99.
- Municipal Budget and Reporting Regulations, 2009.
- Municipal Regulations on Standard Chart of Accounts as per gazette notice no. 37577, 22 April 2014.
- Cost containment Regulations

The most recent MFMA Budget Circular no 98 and 99 is included in the budget documentation as **Annexure E**.

20. Section 20: Other supporting documents

20.1 Service Level Standards

In terms of MFMA circulars 72, 75, 78 and 79 the municipality must adopt service standards as it provides transparency in understanding performance indicators. Local government is mostly service delivery orientated and as such need to be clear on what the public can expect from the municipality as a service delivery standard. The service delivery standards set are attached as **Annexure G** and must to be approved by council.

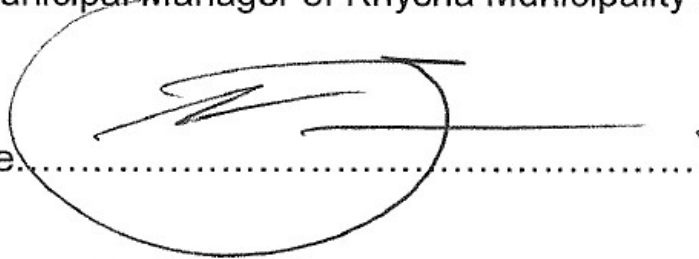
21. Section 21: - Quality Certificate

I, **Dr Louis Scheepers** , Acting Municipal manager of Knysna Municipality, hereby certify that the final annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act, No. 56 of 2003, the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of Knysna Municipality.

Print Name: **DR LOUIS SCHEEPERS**

Acting Municipal Manager of Knysna Municipality (WC048)

Signature.....

A handwritten signature in black ink, consisting of a large, stylized 'L' followed by a horizontal line, is written over a dotted line. The signature is circled with a large, hand-drawn oval.

Date.....

25/6/2020